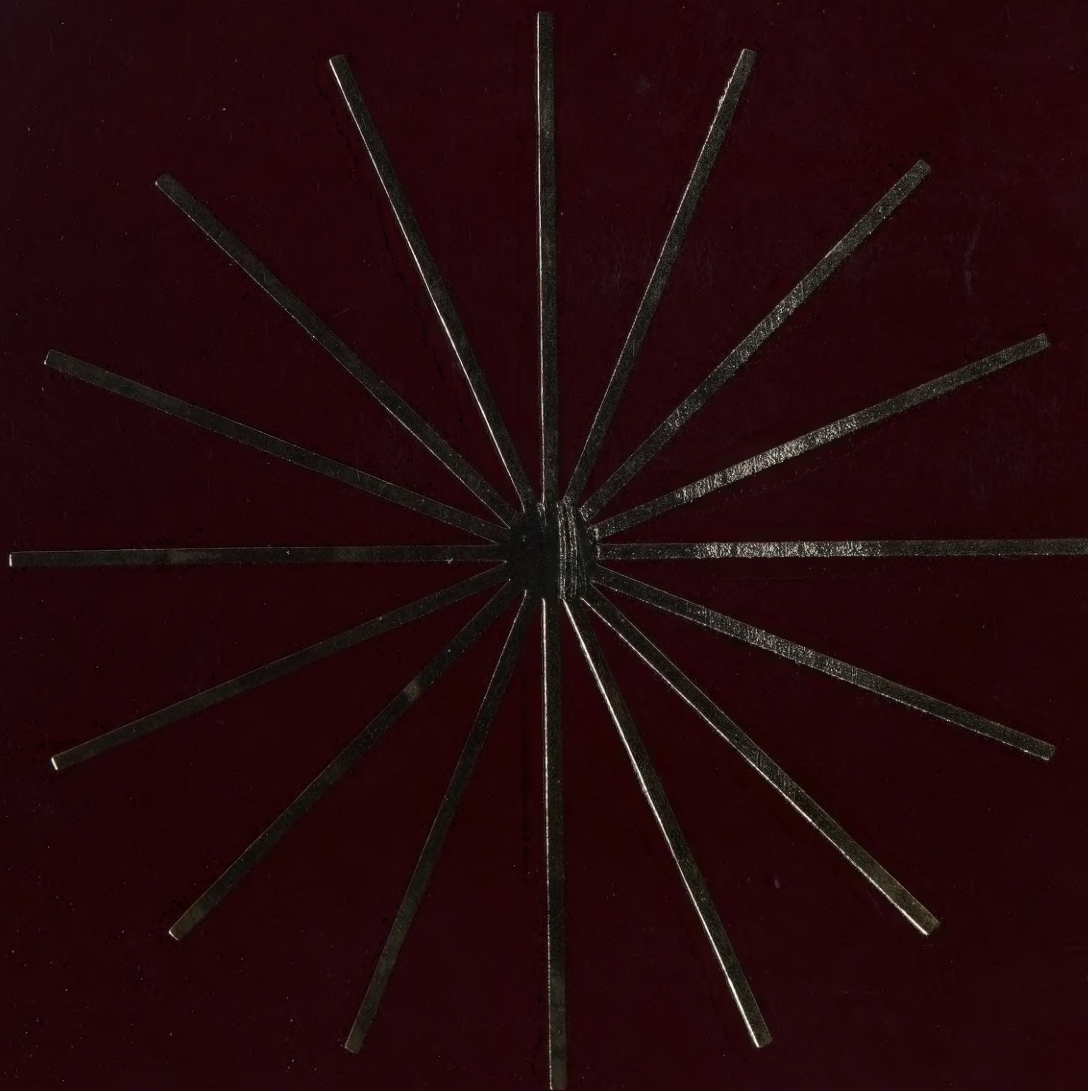
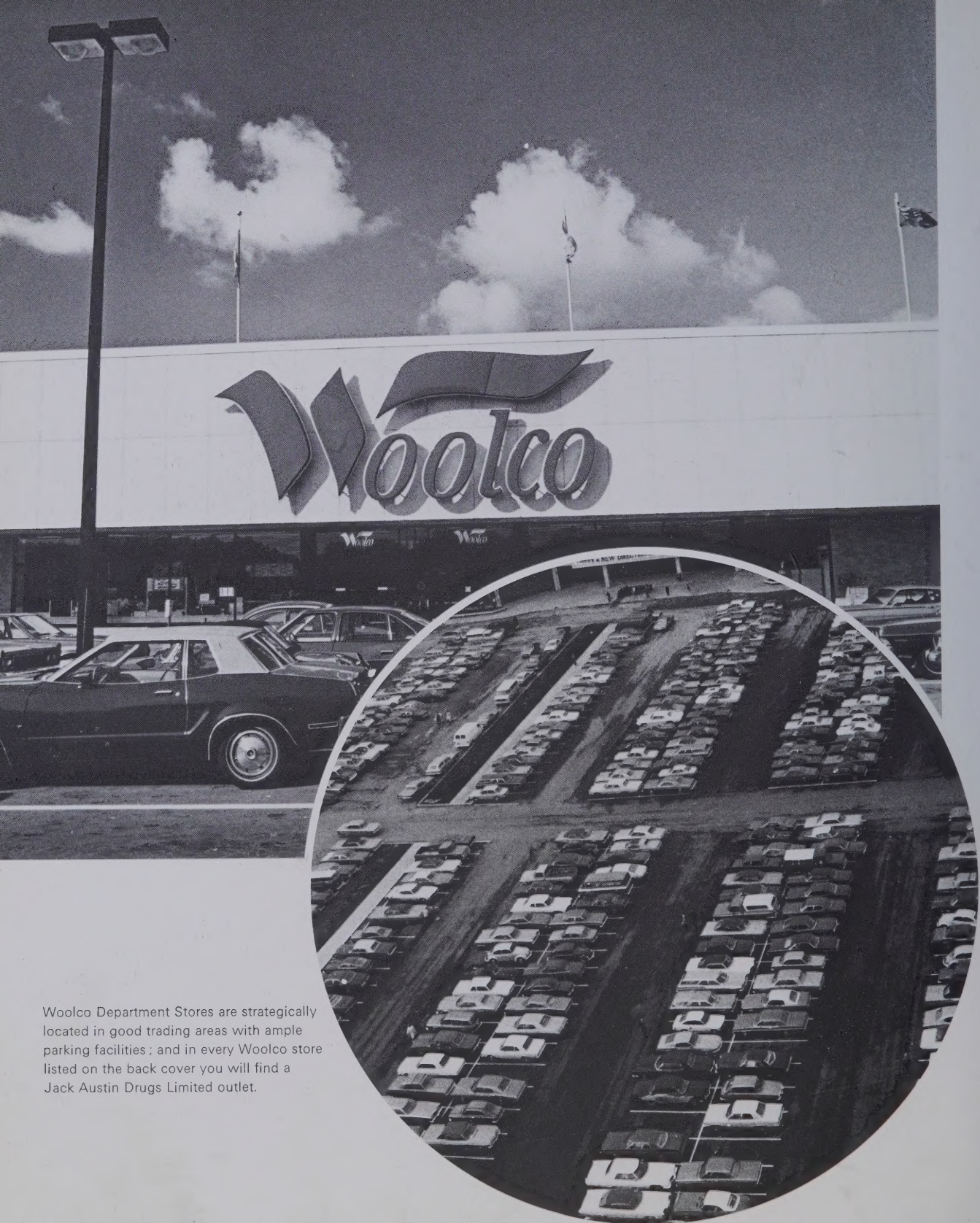


AR41

ANNUAL
REPORT
FOR THE
TWELVE MONTHS
ENDED
JANUARY 31, 1980

Dominion Citrus & Drugs Ltd.





Woolco Department Stores are strategically located in good trading areas with ample parking facilities; and in every Woolco store listed on the back cover you will find a Jack Austin Drugs Limited outlet.

Dominion Citrus & Drugs Ltd.

Directors

Jack Austin
Ben Blidner
Michael Blidner
Charles Cadieux
Gordon Clarke
Maurice Cohen
Harold Hertzman
Harry Izen
Louis Kirshenblatt
Norm Radke
Gregory Real
Jack Roth
Richard Sevazlian
Sydney Shrott
Harold Soupcoff
Louis E. Soupcoff
Jess Zelikovitz

Officers

Michael Blidner, *President*
Harold Soupcoff, *Executive Vice-President*
Jack Austin, *Vice-President*
Louis E. Soupcoff, *Secretary-Treasurer*

PRODUCE DIVISION

Ben Blidner
*Vice-President, Chief Purchasing Agent and
President of Skrow's Produce*
Harry Izen
*Vice-President, Chief Purchasing Agent and
Vice-President of Skrow's Produce*
Jack Roth
President of Specialty Produce Company and Purchasing Agent
Jess Zelikovitz
*President of Country Fresh Packaging Company and
Purchasing Agent*
Maurice Cohen, *President of Dominion Farm Produce*

DRUG DIVISION

Jack Austin, *President and Chief Executive Officer*
Harold Soupcoff, *Executive Vice-President*
Norm Radke
Senior Vice-President and General Manager
Gregory Real
*Vice-President, Health and Beauty Aids Operations,
Marketing and Buying*
Richard Sevazlian, *Vice-President, Pharmaceutical Operations*
Sydney Shrott
*Vice-President, Personnel and Corporate Services and
Director of Pharmaceutical Services*
Louis Kirshenblatt
Secretary-Treasurer and Director of Merchandising
Dennis Breault, *Director of Personnel*

Transfer Agent and Registrar

Guaranty Trust Company of Canada
Toronto, Ontario

Auditors

Starkman, Kraft, Rothman, Berger & Grill
Toronto, Ontario

Bankers

Canadian Imperial Bank of Commerce
Toronto, Ontario
Toronto-Dominion Bank
Toronto, Ontario

Head Office

Ontario Food Terminal
The Queensway
Toronto, Ontario M8Y 1H8

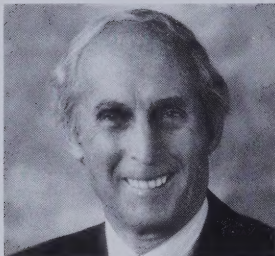
Listed

The Toronto Stock Exchange





Dominion Citrus & Drugs Ltd.



To the Shareholders:

On behalf of the Board of Directors, I am pleased to present the Annual Report of your Company for the fiscal year ended January 31, 1980. Consolidated sales were \$112,183,000, exceeding \$100,000,000 for the first time in the Company's history. This represents an increase of approximately 13.6% over fiscal year 1979. However, consolidated earnings declined from \$1.01 per share to \$.88 per share.

Drug Division

The Drug Division increased sales to \$72,600,000. This represents an increase of approximately 17% over sales in the previous fiscal year. However, profits for the year were lower, declining from \$1,000,000 to \$730,000. This drop in profits was primarily the result of two factors. First, the overall gross profit percentage was .73% below last year's percentage. Secondly, as a result of unusually high interest rates, interest costs increased by over \$300,000. On a more positive note, despite inflationary pressures, we were able to maintain control over all other direct and indirect expenses. This augurs well for the future.

Our objective for the coming fiscal year is to concentrate on improving gross profits without sacrificing sales. Various plans have already been implemented in all territories with a view to achieving this objective. The intensive training programs instituted last year are already showing results and we are continuing to stress the training and recruiting of qualified personnel. Ours is a people industry. A more intensive and efficient use of staff is needed to offset the impact of inflation on operating costs. Senior management is spending a considerable amount of time and effort evaluating methods to improve inventory turnover, sales per square foot, sales per employee and gross margins.

In fiscal year 1980, the Drug Division continued its expansion program with the opening of 11 new Woolco

stores. In fiscal year 1981, it is expected that this expansion program will continue with the opening of six new stores.

Produce Division

In fiscal year 1980, the Produce Division achieved sales of \$39,600,000, up approximately 8% from fiscal year 1979, and profits of \$757,000, up approximately 17%.

All divisions of your Company's produce operations performed well. Your wholly-owned subsidiary, Skrow's Produce (1971) Ltd., had exceptional increases in both sales and profits. Given the bright outlook for the future of this company, Skrow's has recently moved to larger and more modern premises, doubling its capacity.

In our report to you last year, we advised that we had acquired the operations of The Tomato King Co., in October of 1978. We are pleased to report that, in its first full fiscal year of operations, The Tomato King Co. achieved results which have justified management's confidence in the acquisition and we look forward to this division performing an increasing role in your Company's future.

One of the most important elements in your Company's business is its excellent association with its suppliers. The Company works in a spirit of co-operation and understanding with its suppliers in order to achieve mutually beneficial results. We would like to take this opportunity to express our sincere appreciation to them.

We are aware that the unfavourable economic conditions which are now prevalent in Canada might be with us for some time to come. However, management is confident that, with the continued co-operation of senior management and all of the Company's employees, we will be able to meet any challenges that might arise. We wish to extend our sincere thanks and appreciation to all of our employees for their loyalty and efforts on behalf of the Company.

Yours very truly,

MICHAEL BLIDNER, *President*

JACK AUSTIN, *Vice-President*

Dominion Citrus & Drugs Ltd.

FINANCIAL RECORD AND HIGHLIGHTS

| | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|--------------------|--------------|--------------|--------------|--------------|
| Sales | | | | | |
| Drug Division | \$ 72,602,457 | \$61,993,150 | \$55,880,917 | \$48,918,032 | \$42,248,875 |
| Produce Division | 39,580,270 | 36,718,170 | 32,572,534 | 30,510,260 | 25,025,214 |
| | 112,182,727 | 98,711,320 | 88,453,451 | 79,428,292 | 67,274,089 |
| Net Income | | | | | |
| Drug Division | 730,919 | 1,032,286 | 1,001,952 | 694,848 | 751,914 |
| Produce Division | 756,881 | 644,831 | 418,073 | 737,744 | 464,804 |
| | 1,487,800 | 1,677,117 | 1,420,025 | 1,432,592 | 1,216,718 |
| — per share | .88 | 1.01 | .87 | .88 | .72 |
| Dividends Paid | 423,641 | 384,765 | 310,175 | 244,875 | 200,195 |
| — per share | .25 | .23 | .19 | .15 | .12 |
| Shareholders' Equity | 9,986,966 | 8,996,872 | 7,580,835 | 6,470,985 | 5,283,268 |
| — per share(1) | 5.88 | 5.35 | 4.64 | 3.97 | 3.24 |
| Average Number of Shares Outstanding | 1,692,000 | 1,667,000 | 1,632,500 | 1,632,500 | 1,698,500 |
| Working Capital | 6,618,664 | 5,690,882 | 5,158,559 | 4,649,124 | 4,247,728 |
| Current Ratio | 1.33:1 | 1.33:1 | 1.37:1 | 1.36:1 | 1.39:1 |
| Capital Expenditures | 579,692 | 1,221,526 | 1,114,221 | 1,834,647 | 303,131 |
| Number of Outlets Operated and Serviced at End of Year | | | | | |
| Woolco Stores | 95 | 86 | 80 | 74 | 70 |
| Woolworth Stores | 8 | 6 | 6 | 8 | 8 |
| Free standing | 1 | 1 | 1 | 1 | — |
| | 104 | 93 | 87 | 83 | 78 |

Note 1 — Based on net shares outstanding at end of year.





Dominion Citrus & Drugs Ltd.

Ontario Stores (Woolco)

Agincourt Shopping Mall,
3850 Sheppard Avenue East,
Agincourt, Ontario

Harwood Place Centre,
314 Harwood Ave. South,
Ajax, Ontario

St. George Road and Highway 24,
Brantford, Ontario

173 - 81 Colborne Street,
Brantford, Ontario

1000 Island Mall,
Parkdale Ave. & Windsor Drive,
Brockville, Ontario

80 - 96 Main Street,
Cambridge, Ontario

Chatham Place,
801 St. Clair Street Extension,
Chatham, Ontario

Brookdale Avenue and 7th Street,
Cornwall, Ontario

†Elliot Lake Commercial Centre,
Commercial Centre and Ontario Street,
Elliot Lake, Ontario

Honeydale Mall,
5555K Dundas Street West,
Etobicoke, Ontario

Hamilton Mountain Shopping Centre,
Upper James and Fennell Streets,
Hamilton, Ontario

Fairview Park Shopping Centre,
Kitchener, Ontario

Frontenac Mall Shopping Centre,
R.R. #7, Kingston, Ontario

Argyle Shopping Mall,
1925 Dundas Street East,
London, Ontario

Oakridge Mall,
1201 Oxford Street West,
London, Ontario

White Oaks Mall,
1105 Wellington Road South,
London, Ontario

Square One Shopping Centre,
100 City Centre Drive,
Mississauga, Ontario

Lincoln Fields Shopping Centre,
1350 Richmond Road,
Ottawa, Ontario

1642 Merivale Road,
& Viewmount Drive,
Ottawa, Ontario

Grey County Mall Shopping Centre,
Highway #21,
Owen Sound, Ontario

Lambton Mall Shopping Centre,
London Road,
Sarnia Township, Ontario

345 Queen Street East,
Sault Ste. Marie, Ontario

Eastgate Mall,
75 Centennial Parkway,
Stoney Creek, Ontario

65 Albert Street,
Stratford, Ontario

Lincoln Mall Shopping Centre,
549 Welland Avenue,
St. Catharines, Ontario

New Sudbury Shopping Centre,
Barrydowne and LaSalle Boulevard,
Sudbury, Ontario

Norfolk Mall,
400 Simcoe Street,
Tillsonburg, Ontario

179 - 3rd Avenue,
Timmins, Ontario

Timmins Square Shopping Centre,
1500 Riverside Drive,
Timmins, Ontario

Dufferin Mall,
900 Dufferin Street,
Toronto, Ontario

North Park Shopping Centre,
1305 Lawrence Avenue West,
Toronto, Ontario

Thornclyffe Market Place,
45 Overlea Boulevard,
Toronto, Ontario

Seaway Mall,
880 Niagara Street,
Welland, Ontario

*Morningside Mall,
225 Morningside Avenue,
West Hill, Ontario

2295 Sheppard Avenue West,
Weston, Ontario

Crossroads Shopping Centre,
Highway #2 and Thickson Road,
Whitby, Ontario

Towne & Countryside Square,
6220 Yonge Street,
Willowdale, Ontario

Gateway Shopping Plaza,
Dougall Road,
Windsor, Ontario

1950 Lauzon Road,
Windsor, Ontario

Blandford Square Shopping Centre,
Highway #2, Innerkip Road,
Woodstock, Ontario

Ontario Stores (Woolworth)

56 - 76 Bayfield Street,
Barrie, Ontario

25 - 1st Street,
Collingwood, Ontario

Mississauga and Andrew Streets,
Orillia, Ontario

180 Prince Street,
Pembroke, Ontario

Quebec Stores (Woolco)

705 Nord Avenue Dupont,
Alma, Quebec

Centre Regional Manicovagan,
Baie Comeau, Quebec

Taschereau Shopping Centre,
Brossard, Quebec

LeGalerie Du Cap and Barkoff Street,
Cap-de-Madeleine, Quebec

141 Rue Racine East,
Chicoutimi, Quebec

Place Du Royaume Shopping Centre,
Chicoutimi, Quebec

Les Galeries Drummond,
Drummondville, Quebec

Centre St. Anne,
Giffard, Quebec

Granby Plaza,
Granby, Quebec

Les Galeries Joliette Shopping Centre,
Firestone Boulevard,
Joliette, Quebec

*Stores opened during 1979

†Open 1980

Les Galeries Jonquiere Shopping Centre,
Range St. Francois & DuCentenaire Blvd.,
Jonquiere, Quebec

Kirkland Plaza,
Kirkland, Quebec

LeCavalier Shopping Centre,
LaSalle, Quebec

1660 LeCorbusier Boulevard,
Laval (Montreal), Quebec

20 East Trans-Canada Road,
Levis, Quebec

Centre De'Achats Centreville,
Longueuil (Met.), Quebec

Les Galeries Rive Nord,
100 Brien Blvd.,
Repentigny, Quebec

Rock Forest Shopping Centre,
Rock Forest (Sherbrooke), Quebec

Place Rosemere,
401 Labelle Blvd.,
Rosemere, Quebec

Les Galeries Montagnaise,
Blvd. Laure,
Sept Isles, Quebec

Les Galeries Richelieu,
St. Jean, Quebec

Centre Langelier,
St. Leonard, Quebec

Tracy Plaza,
Tracy, Quebec

Trois Rivières Shopping Centre,
Trois Rivières, Quebec

Centre Valleyfield,
Valleyfield, Quebec

Le Bazar Shopping Centre,
Ville St. Laurent, Quebec

Saskatchewan Stores (Woolco)

Towne & Country Mall,
1235 Main Street North,
Moose Jaw, Saskatchewan

South Hill Shoppers Mall,
299 – 2nd Avenue West,
Prince Albert, Saskatchewan

Southland Mall Shopping Centre,
2715 Gordon Road,
Regina, Saskatchewan

353 North Albert Street,
Regina, Saskatchewan

8th Street East and Acadia Drive,
Saskatoon, Saskatchewan

300 Confederation Park,
Saskatoon, Saskatchewan

Manitoba Stores (Woolco)

Brandon Shoppers Mall,
1440 – 18th Street,
Brandon, Manitoba

*Portage LaPrairie Mall,
Saskatchewan Avenue & 624th Street,
Portage LaPrairie, Manitoba

Crossroads Shopping Centre,
1580 Regent Avenue West,
Transcona, Manitoba

Garden City Square Shopping Centre,
845 Leila Avenue,
Winnipeg, Manitoba

Grant Park Plaza,
1080 Grant Avenue,
Winnipeg, Manitoba

Unicity Mall,
3605 Portage Avenue & Knox Street,
Winnipeg, Manitoba

*St. Vital Shopping Centre,
1225 St. Mary's Road,
Winnipeg, Manitoba

Manitoba Store (Woolworth)

*Dauphin Market Place,
1-1450 Main Street South,
Dauphin, Manitoba

City Centre Mall,
Mystery Lake Road and Thompson Drive,
Thompson, Manitoba

Alberta Stores (Woolco)

MacLeod Mall Shopping Centre,
9650 MacLeod Trail,
Calgary, Alberta

Marlborough Mall,
3835 Memorial Drive N.,
Calgary, Alberta

Northland Village Shopping Centre,
5111 – 37th Street N.W.,
Calgary, Alberta

37th Street and 12th Avenue, S.W.,
Calgary, Alberta

#1 Capilano Shopping Mall,
98th Avenue and Terrace Road,
Edmonton, Alberta

Centennial Village Shopping Centre,
170th Street and Stoney Plain Road,
Edmonton, Alberta

Londonderry Mall,
137th Avenue & 66th Street,
Edmonton, Alberta

College Mall Shopping Centre,
Mayor Magrath Drive and 20th Avenue,
Lethbridge, Alberta

Parkland Mall Shopping Centre,
6375 – 50th Avenue,
Red Deer, Alberta

†St. Albert Shopping Centre,
375 St. Albert Trail,
St. Albert, Alberta

Alberta Stores (Woolworth)

450 – 3rd Street, S.E.,
Medicine Hat, Alberta

*Wetaskiwin Mall,
3720 – 56th Street,
Wetaskiwin, Alberta

British Columbia Stores (Woolco)

*300 Lougheed Mall,
Burnaby, B.C.

*Sa-Hali Centre,
180 – 945 Columbia Street West,
Kamloops, B.C.

*Country Club Mall,
100-3200 Island Highway,
Nanaimo, B.C.

*925 Marine Drive,
North Vancouver, B.C.

*Pine Centre Shopping Mall,
2999 Massey Drive,
Prince George, B.C.

Guildford Shopping Centre,
Hollyroad & Hjorth,
Surrey, B.C.

Waneta Plaza Shopping Centre,
Highway #3,
Trail B.C.

*3601 Douglas Street,
Victoria, B.C.

Free Standing Store

Haliburton Pharmacy,
Haliburton, Ontario

Dominion Citrus & Drugs Ltd.

CONSOLIDATED BALANCE SHEET

as at January 31, 1980

ASSETS

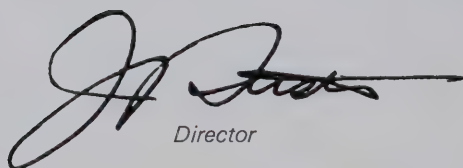
| | 1980 | 1979 |
|------------------------------------|----------------------------|----------------------------|
| Current Assets | | |
| Cash | \$ 208,553 | \$ 154,901 |
| Marketable securities | 122,944 | 118,681 |
| Accounts receivable | 5,196,745 | 5,301,977 |
| Inventories – retail stores | 16,940,715 | 13,859,342 |
| – warehouses | 3,768,899 | 3,533,677 |
| Income taxes recoverable | 211,760 | — |
| Prepaid expenses and sundry assets | 140,301 | 145,628 |
| | <u>26,589,917</u> | <u>23,114,206</u> |
| Fixed Assets (Note 2) | 3,562,611 | 3,573,807 |
| Other Assets (Note 3) | 528,103 | 526,730 |
| | <u><u>\$30,680,631</u></u> | <u><u>\$27,214,743</u></u> |

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:



Director



Director

LIABILITIES

| | <u>1980</u> | <u>1979</u> |
|--|-------------------|-------------------|
| Current Liabilities | | |
| Bank indebtedness (Note 4) | \$ 5,341,125 | \$ 7,265,331 |
| Accounts payable | 13,894,475 | 9,466,032 |
| Notes payable (Note 5) | 475,653 | 245,800 |
| Income taxes payable | — | 186,161 |
| Current portion of long term debt (Note 6) | 260,000 | 260,000 |
| | <u>19,971,253</u> | <u>17,423,324</u> |
| Long Term Debt (Note 6) | <u>260,000</u> | <u>520,000</u> |
| Deferred Income Taxes | <u>336,547</u> | <u>274,547</u> |

SHAREHOLDERS' EQUITY**Capital Stock** (Note 7)**Authorized**

2,418,310 shares without par value

Issued

1,776,060 shares

Retained Earnings

Less: 76,500 shares acquired and held for future disposition, at cost

| | | |
|--|---------------------|---------------------|
| | <u>302,605</u> | <u>250,805</u> |
| | <u>9,986,966</u> | <u>8,922,807</u> |
| | <u>10,289,571</u> | <u>9,173,612</u> |
| | <u>176,740</u> | <u>176,740</u> |
| | <u>10,112,831</u> | <u>8,996,872</u> |
| | <u>\$30,680,631</u> | <u>\$27,214,743</u> |

Dominion Citrus & Drugs Ltd.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended January 31, 1980

| | 1980 | 1979 |
|---|----------------------|---------------------|
| Sales | \$112,182,727 | \$98,711,320 |
| Income before the following | 3,807,044 | 3,832,531 |
| Depreciation and amortization | 664,515 | 583,812 |
| Interest on long term debt | 99,585 | 95,761 |
| Other interest | 665,144 | 410,841 |
| | 1,429,244 | 1,090,414 |
| Income before income taxes | 2,377,800 | 2,742,117 |
| Income taxes – current | 828,000 | 1,051,000 |
| – deferred | 62,000 | 14,000 |
| | 890,000 | 1,065,000 |
| Net income for the year | 1,487,800 | 1,677,117 |
| Retained earnings, beginning of year | 8,922,807 | 7,630,455 |
| | 10,410,607 | 9,307,572 |
| Dividends | 423,641 | 384,765 |
| Retained Earnings, end of year | \$ 9,986,966 | \$ 8,922,807 |
| Average number of shares outstanding | 1,692,000 | 1,667,000 |
| Earnings per share (Note 8) | \$.88 | \$1.01 |

See accompanying notes to financial statements.

Dominion Citrus & Drugs Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended January 31, 1980

| | 1980 | 1979 |
|---|---------------------|---------------------|
| Source of working capital | | |
| Net income for the year | \$ 1,487,800 | \$ 1,677,117 |
| Items not affecting working capital | | |
| Depreciation and amortization | 657,991 | 583,812 |
| Deferred income taxes | 62,000 | 14,000 |
| Provided from operations | 2,207,791 | 2,274,929 |
| Issuance of capital stock | 51,800 | 123,685 |
| | <u>2,259,591</u> | <u>2,398,614</u> |
| Use of working capital | | |
| Additions to fixed assets, net | 573,168 | 1,058,526 |
| Purchase of other assets | — | 163,000 |
| Dividends | 423,641 | 384,765 |
| Licence agreements | 75,000 | — |
| Reduction of long term debt | 260,000 | 260,000 |
| | <u>1,331,809</u> | <u>1,866,291</u> |
| Increase in working capital | <u>927,782</u> | <u>532,323</u> |
| Working capital, beginning of year | <u>5,690,882</u> | <u>5,158,559</u> |
| Working capital, end of year | <u>\$ 6,618,664</u> | <u>\$ 5,690,882</u> |

See accompanying notes to financial statements.

AUDITORS' REPORT

To the Shareholders of
Dominion Citrus & Drugs Ltd.

We have examined the consolidated balance sheet of Dominion Citrus & Drugs Ltd. as at January 31, 1980 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
April 9, 1980

Starkman, Kraft, Rothman, Berger & Grill
Chartered Accountants

Dominion Citrus & Drugs Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 1980

1. Summary of significant accounting policies

(a) *Principles of consolidation*

These consolidated financial statements include the accounts of the company and its subsidiary companies, all of which are wholly owned. The activities of the companies are as follows:

PRODUCE DIVISION

Dominion Citrus & Drugs Ltd.
The Tomato King Co. (Division of Dominion Citrus & Drugs Ltd.)
Dominion Farm Produce Limited
Skrow's Produce (1971) Ltd.
Country Fresh Packaging Company Ltd.
Lousana Holdings Limited

DRUG DIVISION

Jack Austin Drugs Limited
Fern Distributors (Division of Jack Austin Drugs Limited)
Jack Austin Pharmacy (Alberta) Limited
Jack Austin Pharmacy (Saskatchewan) Limited
Jack Austin Drugs (B.C.) Ltd.
Cams Drugs Limited

At the balance sheet date the drug division operated or serviced 95 outlets in Woolco Department Stores, 8 outlets in Woolworth Department Stores and 1 free standing store. The sales for the drug division include sales of both operated and serviced outlets to show total sales under administration of the drug division.

(b) *Marketable securities*

Marketable securities are stated at cost, which approximates market value at the respective balance sheet dates.

(c) *Inventories*

Warehouse inventories are valued at the lower of cost and net realizable value with cost determined generally on a first-in, first-out basis. The valuation of retail store inventories is determined by the retail inventory method which prices the majority of items at normal selling prices and reduces the amounts so determined to the lower of cost and net realizable value by applying normal profit margins.

(d) *Fixed assets*

These assets are stated at cost. Depreciation is being provided by the following methods and rates:

| | |
|--------------------------------|---|
| Buildings | — 5% on the declining balance |
| Warehouse and office equipment | — 20% on the declining balance |
| Mobile equipment | — 30% on the declining balance |
| Leasehold improvements | — over the term of the lease on a straight-line basis |

(e) *Licence agreements*

The licence agreements are stated at amortized cost. They are being amortized using the straight-line method over a five year period.

(f) *Goodwill and excess of cost of shares in a subsidiary over book value at acquisition*

These pre-1974 amounts are not being amortized, since in the opinion of management they have continuing value.

(g) *Deferred computer development costs*

Expenditures on programming and development of the on-line pharmacy computer system have been deferred and are being amortized over the estimated life of the system.

(h) *Leasehold interest*

Leasehold interest is stated at amortized cost. It is being amortized using the straight-line method over a ten year period.

(i) *Deferred income taxes*

The company follows the tax allocation basis of accounting for income taxes, whereby tax provisions are based on accounting income and taxes relating to timing differences between accounting and taxable income are deferred.

2. Fixed assets

| | 1980 | | 1979 | |
|------------------------|--------------------|-----------------------------|--------------------|--------------------|
| | Cost | Accumulated Depreciation | Net | Net |
| Land | \$ 362,908 | \$ — | \$ 362,908 | \$ 362,908 |
| Buildings | 1,455,686 | 245,118 | 1,210,568 | 1,220,989 |
| Plant and equipment | 2,341,401 | 1,040,645 | 1,300,756 | 1,330,026 |
| Mobile equipment | 1,201,310 | 732,624 | 468,686 | 511,862 |
| Leasehold improvements | 416,270 | 196,577 | 219,693 | 148,022 |
| | <u>\$5,777,575</u> | <u>\$2,214,964</u> | <u>\$3,562,611</u> | <u>\$3,573,807</u> |

3. Other Assets

These assets are comprised as follows:

| | 1980 | 1979 |
|--|------------------|------------------|
| Goodwill of Skrow's Produce (1971) Ltd. | \$165,000 | \$165,000 |
| Excess of cost of investment in Jack Austin Drugs (B.C.) Ltd. over book value of net assets acquired | 6,000 | 6,000 |
| Prescription list | — | 17,320 |
| Deferred computer development costs | 155,836 | 180,843 |
| Leasehold interest | 141,267 | 157,567 |
| Licence agreements | 60,000 | — |
| | <u>\$528,103</u> | <u>\$526,730</u> |

4. Bank Indebtedness

Bank loans in the amount of \$3,150,000 are due on demand with interest payable at the prime bank lending rate plus one-quarter percent per annum. A bankers acceptance in the amount of \$1,500,000 due March 3, 1980 with interest payable at 13.69% is also included. These loans are secured by marketable securities and a general assignment of book debts.

5. Notes payable

The company has received various loans for which it has signed promissory notes, payable on demand. The loans bear interest at the prime bank lending rate plus one quarter percent per annum. These loans have been received from parties related to principal shareholders and/or directors of the company.

6. Long Term Debt

| | 1980 | 1979 |
|---|------------------|------------------|
| Term bank loan at prime rate plus 1%, secured by collateral first mortgage on 30 Rayette Road, balance repayable in two equal annual instalments | \$520,000 | \$780,000 |
| Less: Current portion | 260,000 | 260,000 |
| | <u>\$260,000</u> | <u>\$520,000</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

January 31, 1980

7. Capital stock

The company's authorized capital consists of the following shares without par value:

| |
|------------------------------------|
| 1,589,914 Class "A" special shares |
| 788,386 Class "B" special shares |
| 40,000 Common shares |
| <u>2,418,300</u> |

The Class "A" and Class "B" special shares are inter-convertible on a one for one basis; both classes of shares are identical except that holders of Class "B" special shares may receive tax deferred dividends.

As of January 31, 1980 there were issued 1,003,974 Class "A" shares and 772,086 Class "B" shares. The company holds 76,500 of its own shares pending future disposition.

The following is an analysis of stock options outstanding as at January 31, 1980:

| | |
|---|---------------|
| \$2.50 per share, expiring during 1981 | 19,260 |
| \$2.75 per share, expiring during 1982 | 3,440 |
| \$3.25 per share, expiring during 1982 | 7,440 |
| \$4.50 per share, expiring during 1984 | 49,800 |
| \$4.675 per share, expiring during 1984 | 3,000 |
| \$4.95 per share, expiring during 1985 | 11,400 |
| | <u>94,340</u> |

During the year 18,660 options were exercised for a total value of \$51,800, 800 options expired and/or terminated and 11,400 new options were granted.

8. Earnings per share

Earnings per common share for 1979 and 1980 are based on the weighted average of shares outstanding during the year. No material dilution of earnings per share would result if all outstanding options were exercised.

9. Contingencies and commitments

- The minimum total annual rentals payable under licence agreements expiring from 1980 to 1985 amount to approximately \$3,500,000 including certain occupancy costs (exclusive of additional rent payable based on a percentage of gross sales).
- The annual rental payable under a lease expiring in 1988 for the former drug division head office and warehouse amounts to \$34,000 excluding certain occupancy costs. This space has been sublet for the balance of the term at a rate not less than the above annual rental.
- Subsequent events include the opening of new stores which are in the normal course of business. It is management's policy to write off the cost of new store openings in the year incurred.

10. Directors' and senior officers' remuneration

Total remuneration paid or payable during the period to directors and senior officers as defined by The Business Corporations Act, 1970 (Ontario) amounted to \$597,000 (1979 - \$572,000).

